

Message Text

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ACTION ARA-10

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P 251300Z JUL 75

FM AMEMBASSY PORT AU PRINCE

TO SECSTATE WASHDC PRIORITY 318

LIMITED OFFICIAL USE SECTION 01 OF 02 PORT AU PRINCE 1861

E.O. 11652: NA

TAGS: EAID HA

SUBJ: REQUEST FOR PL 480 TITLE I AGREEMENT IN FY 76

REF: A. PAP 1816; B. PAP 1660; C. PAP 1409; D. PAP 0876, 5-14-74

1. SUMMARY: COUNTRY TEAM RECOMMENDS THAT DEPT AUTHROIZE EMBASSY TO NEGOTIATE WITH THE GOVERNMENT OF HAITI A PL480 TITLE I AGREEMENT, COVERING THE SALES OF WHEAT AND SOYBEAN OIL DURING FY 1976. RECOMMENDATION IS BASED ON:
(A) HAITI'S STATUS AS POOREST COUNTRY IN WESTERN HEMISPHERE AND CLAASSIFICATION BY UN AS ONE OF THE TWENTY-FOUR LEAST DEVELOPED IN THE WORLD; (B) LOW NUTRITIONAL LEVEL OF THE POPULATION; (C) THE STRAINS ON HAITIAN B/P ARISING FROM INCREASED COSTS OF IMPORTS, PARTICULARLY PETROLEUM AND DEVELOPMENT EXPENDITURES AT A TIME WHEN INCOME FROM EXPORTS HAS DECREASED; AND (D) THE EFFECT OF THE PRESENT DROUGHT WHICH HAS REDUCED AVAILABLE DOMESTIC FOOD SUPPLIES, FURTHER CUTTING CONSUMPTION, AND PLACED ADDITIONAL HEAVY PRESSURES ON GOH BUDGET AND B/P. COUNTRY TEAM RECOMMENDS AGREEMENT PROVIDE FOR 25,000 METRIC TONS OF WH-5 (\$3,5WTHOUSAND)

AND 2,000 METRIC TONS OF SOYBEAN OIL (\$1,102HTHOUSAND) FOR A TWLEVE-MONTH PERIOD, WITH AN ADDITONAL 7,000 METRIC TONS OF WHEAT (\$905,000)

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AND 500 METRIC TONS OF SOYBEAN OIL (\$353,000) FOR INTERIM QUARTER

IF DEPARTMENT DETERMINES THAT PL 480 TITLE I AGREEMENT SHOULD OPERATE THROUGH SEPTEMBER 1976. TERMS OF AGREEMENT AND PROPOSED SELF-HELP MEASURES WOULD FOLLOW PATTERN OF AGREEMENT SIGNED MARCH 20, 1975 AND THOSE INCLUDED IN REF B. END SUMMARY.

2. HAITIAN REQUEST - HAITIAN SECRETARY OF COMMERCE AND INDUSTRY HAS REQUESTED THAT U.S. SUPPLY 25,000 METRIC TONS OF WHEAT AND 2,000 METRIC TONS OF SOYBEAN OIL FOR PERIOD JULY 1, 1975 - JUNE 30, 1976 UNDER PL-480 TITLE I. HE FIRST PROPOSED NEW AGREEMENT IN CONVERSATIONS IN JUNE, FOLLOWED UP WITH A SPECIFIC ORAL REQUEST ON JULY 16, AND WILL FORWARD A WRITTEN REQUEST DURING WEEK OF JULY 21-25.

3. HAITIAN NUTRITIONAL NEEDS - AS THE POOREST COUNTRY OF THE WESTERN HEMISPHERE, AND THE ONLY ONE INCLUDED ON THE UN LIST OF THE 24 LEAST DEVELOPED COUNTRIES, HAITI IS A PRIME CANDIDATE FOR THE CATEGORY OF "NEEDIEST" CATEGORY, WHICH IS TO BE GIVEN PRIORITY FOR AVAILABLE SUPPLIES. ACCORDING TO THE MOST RECENT STUDIES, HAITIAN DAILY CONSUMPTION AVERAGES 1850 CALORIES PER DAY, TDKZOS THE LOWEST CALORIC INTAKES IN THE WORLD. PROTEIN AND FAT CONSUMPTION ARE ALSO DEFICIENT, AMOUNTING TO TWO-THIRDS OR LESS OF NORMAL REQUIREMENTS. ON AVERAGE, ABOUT 16 PERCENT BY VALUE OF HAITIAN COMMERCIAL IMPORTS CONSIST OF FOOD PRODUCTS, CHIEFLY MILK, EDIBLE OILS AND WHEAT, NONE OF WHICH CAN AS YET BE PRODUCED ECONOMICALLY IN HAITI AND ALL OF WHICH PROVIDE IMPORTANT NUTRITIONAL VALUES. CONTINUATION AND INCREASE OF THESE ESSENTIAL IMPORTS WILL BE EXTREMELY DIFFICULT FOR HAITI IN VIEW OF EXPECTED B/P DIFFICULTIES (SEE PARA 4).

4. B/P - HAITI HAS BEEN SEVERELY AFFECTED BY THE ENERGY CRISIS, AS WELL AS BY INCREASED COSTS OF IMPORTS, DECREASED PRICES FOR EXPORTS, INCREASED GOVERNMENT INVESTMENT AND A SLOW-DOWN IN CAPITAL INFLOWS BECAUSE OF WORLD ECONOMIC CONDITIONS. AS A RESULT, HAITIAN NET FOREIGN EXCHANGE RESERVES DROPPED SHARPLY IN 1974, AND ARE EXPECTED TO DROP STILL FURTHER IN 1975. BOTH EMBASSY AND HAITIAN NATIONAL BANK AGREE THAT BEST PROJECTIONS HAVE BEEN PREPARED BY IMF TEAM WHICH VISITED IN APRIL. ACCORDING TO THEIR REPORT (PROVIDED EMBASSY BY NATIONAL BANK), HAITIAN NET INTERNATIONAL RESERVES DROPPED BY 14.9 MILLION SDR'S IN CALENDAR LIMITED OFFICIAL USE

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YEAR 1974, REACHING A LEVEL OF MINUS 2.5 MILLION IN DECEMBER. A FURTHER DROP OF 6.8 MILLION SDR'S (OR U.S. \$8.5 MILLION) IS EXPECTED DURING CALENDAR YEAR 1975. PROJECTED B/P FOR 1975 (IN MILLIONS OF U.S. DOLLARS) IS AS FOLLOWS:

MERCHANDISE TRADE:

NET EXPORTS OF PROCESSING INDUSTRIES	6.25
OTHER EXPORTS	81.25

OTHER IMPORTS		118.75	
BALANCE	MINUS	31.25	
SERVICES (NET)	MINUS	30.0	
PRIVATE TRANSFERS	PLUS	7.5	
CURRENT ACCOUNT BALANCE	MINUS	53.75	
CAPITAL:			
PRIVATE SECTOR PLUS ERROR AND OMISSIONS	PLUS	15.25	
PUBLIC SECTOR	PLUS	12.5	
PUBLIC TRANSFERS	PLUS	17.5	
NET	PLUS	45.25	
NET INTERNATIONAL RESERVES (NOTE: PLUS MEANS DECREASE) PLUS 8.5			

5. EFFECTS OF DROUGHT - THE PROLONGED DROUGHT (IT HAS LASTED OVER 8 MONTHS IN SOME AREAS) WILL FURTHER HANDICAP HAITIANS IN EFFORTS TO PROVIDE POPULACE WITH MINIMUM FOOD SUPPLIES, TO KEEP FOREIGN EXCHANGE EXPENDITURES AT A MINIMUM AND TO MAKE INVESTMENTS IN AGRICULTURAL SECTOR. ALTHOUGH DONATED FOOD FROM A VARIETY OF SOURCES, INCLUDING PL-480 TITLE II, WILL TAKE CARE OF MINIMUM NUTRITIONAL NEEDS OF THOSE HARDEST HIT (ESTIMATED 300,000 PEOPLE AT RATE OF 1,000 CALORIES PER DAY), SECONDARY EFFECTS OF DROUGHT WILL HAVE REPERCUSSIONS THROUGH ECONOMY FOR NEXT TWELVE MONTHS, EVEN IF RAINS RETURN TO NORMAL PATTERNS IN FALL. FOR EXAMPLE, (A) RETAIL PRICES OF FOOD ROSE SHARPLY THROUGHOUT THE COUNTRY IN MARCH-JULY PERIOD AS A RESULT OF DECREASED SUPPLY. (B) ADDITIONAL STRAINS (NOT TAKEN INTO ACCOUNT BY IMF STUDY) ARE BEING IMPOSED ON HAITIAN B/P BY EMERGENCY IMPORTATIONS OF RICE AND CORN TO MAINTAIN SOME EQUILIBRIUM BETWEEN SUPPLY AND DEMAND; (C) HAITIAN OPERATIONS BUDGET DOESN'T HAVE THE FLEXIBILITY TO MEET ANY INCREASED EXPENDITURES, EVEN SUCH MINOR ONES AS PROVIDING TRUCKS, DRIVERS, AND OVERSEERS TO HANDLE THE DISTRIBUTION OF FOOD DONATED BY OTHER COUNTRIES AND INTERNATIONAL AGENCIES; (D) AT SAME TIME, POSSIBILITY OF ADDITIONAL CREDIT FROM NATIONAL BANK IS LIMITED AS A RESULT OF IMF PRECONDITIONS FOR GRANTING LIMITED OFFICIAL USE

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SECOND STANDBY AND SPECIAL OIL FACILITY.

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6. EFFECT OF PL-480 TITLE I - PROVISION OF WHEAT AND EDIBLE OIL UNDER PL-480 WILL ENABLE HAITI TO MEET THE GROWING DOMESTIC DEMAND FOR THESE TWO DEY DIETARY PRODUCTS. SINCE THESE PRODUCTS ARE NOT PRODUCED IN HAITI, THERE WILL NOT BE DISINCENTIVE EFFECTS ON LOCAL PRODUCTION. AT THE SAME TIME, FUNDS ACCRUING UNDER THE AGREEMENT WILL BE DEVOTED TO THE IMPROVEMENT OF AGRICULTURAL PRODUCTION, A KEY GOAL OF THE GOVERNMENT. PRESIDENT DUVALIER, IN A SPEECH GIVEN JULY 17 ORDERING PRIORITIES FOR HAITI'S NEXT FIVE YEAR PLAN, REITERATED PREVIOUS STATEMENTS THAT AGRICULTURE MUST BE GIVEN FIRST PRIORITY AND STATED THAT AT LEAST 20 PERCENT OF GOVERNMENT INVESTMENT WOULD BE DEVOTED TO THAT SECTOR.

7. WHEAT - ACCORDING TO THE SINGLE FLOUR MILL, IMPORTS OF WHEAT, IN SHORT TONS, HAVE BEEN AS FOLLOWS (BASED ON MILL'S FISCAL YEAR JUNE 1 THROUGH MAY 31): 1970/71, 47,163; 1971/72, 53,176; 1972/73, 76,690; 1973/74, 99,663; 1974/75, 72,647. (THIS DOES NOT INCLUDE THE SHIPMENT OF 15,000 METRIC TONS OF WHEAT UNDER THE FIRST PL-480 AGREEMENT WHICH COULD NOT BE SHIPPED UNTIL LATE JUNE; INSTEAD, EXTRA COMMERCIAL WHEAT WAS ORDERED TO MEET CURRENT DEMAND.) THE MILL DIRECTOR ESTIMATES HAITIAN IMPORTS OF WHEAT WILL REACH 97,200 SHORT TONS DURING THE MILL'S 1975/76 FISCAL YEAR. EMBASSY RECOMMENDS THAT DEPARTMENT AGREE TO UMR REQUIREMENTGF 55,000 METRIC TONS FOR FY 76, AS IN FY 75.

8. SOYBEAN OIL - HAITIAN OFFICIAL STATISTICS REPORT THE FOLLOWING LIMITED OFFICIAL USE

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IMPORTS OF SOYBEAN OIL IN METRIC TONS PER HAITIAN FISCAL YEAR (OCT1-SEPT 31): 1969/70, 7,884.6, OF WHICH 7,335.6 CAME FROM U.S. AND 549 FROM ARGENTINA; 1970/71, 9,744, ALL FROM U.S.; 1971/72, 11,756 FROM US; 53 FROM WEST GERMANY AND 208 FROM CZECHOSLOVAKIA, FOR A TOTAL OF 12,017; 1972/73, 7,903 FROM U.S., 5 FROM FRANCE, FOR A TOTAL OF 7,908; 1973/74, 6,343 (NO BREAKDOWN AVAILABLE AS TO SOURCE). INDUSTRY SOURCES ESTIMATE

THAT IMPORTS, WHICH STARTED AT AROUND 600 TONS PER MONTH, BUT INCREASED DURING YEAR TO 1,000 TONS PER MONTH, ARE LIKELY TO REACH 10,000 TONS DURING 74/75 HAITIAN FISCAL YEAR. ACCORDING TO ALL SOURCES, THE 1971/72 YEAR WAS A VERY UNUSUAL ONE, WITH IMPORTS OF SOYBEAN REACHING UNEXPECTED HEIGHTS. HOWEVER, AFTER THE DECLINE IN CONSUMPTION IN 1973 AND 1974 BECAUSE OF THE TRIPLING IN PRICE, CONSUMPTION AGAIN BEGAN TO RISE IN THE SPRING OF 1975 AND EMBASSY ESTIMATES THAT BARRING UNFORESEEN CIRCUMSTANCES, OR LACK OF FOREIGN EXCHANGE WITH WHICH TO MAKE THE NECESSARY IMPORTS, CONSUMPTION SHOULD REACH THE LEVEL OF 10,500 METRIC TONS IN CALENDAR YEAR 1975, AND SHOULD INCREASE FROM 5-1;# PERCENT PER YEAR THEREAFTER. EMBASSY RECOMMENDS A USUAL MARKETING REQUIREMENT OF 7,500 TONS, AND AN AGREEMENT TO SUPPLY 2,000 TONS UNDER PL-480 IN FY 1976, PLUS AN ADDITIONAL 500 TONS DURING THE INTERIM QUARTER (JULY THROUGH SEPTEMBER 1977).

9. VALUE OF PL-480 AGREEMENT WOULD THEREFOR BE: \$4.547 MILLION IN FY 1976 (\$3.445 MILLION IN WHEAT AND \$1.102 MILLION FOR SOYBEAN OIL) AND \$1.258 MILLION IN THE INTERIM QUARTER (\$905 THOUSAND FOR 7,000 TONS OF WHEAT AND \$353 THOUSAND FOR 500 METRIC TONS OF SOYBEAN OIL.)
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NOTE BY OC/T: # AS RECEIVED.

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